

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF OHIO COUNTY)	
WATER DISTRICT FOR (1) ISSUANCE OF A)	
CERTIFICATE OF PUBLIC CONVENIENCE)	
AND NECESSITY FOR CONSTRUCTION)	
OF THE SERIES III WATER SYSTEM)	CASE NO.
IMPROVEMENTS; (2) AUTHORIZATION TO)	2003-00034
ISSUE SERIES III REVENUE BONDS IN THE)	
AMOUNT OF \$1,890,000; AND (3))	
AUTHORIZATION TO ADJUST RATES TO PAY)	
FOR THE ADDITIONAL INDEBTEDNESS)	

ORDER

On May 2, 2003, Ohio County Water District (Ohio District) filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Ohio District s operations, prepared a Staff Report that was issued by Commission Order dated September 19, 2003. That Order allowed the parties to the case 15 days to respond to the Staff Report.

The report attached to the Order of September 19, 2003 calculated rates on the revenue requirement that Staff determined Ohio District could have requested. Staff determined this revenue requirement from information supplied by Ohio District during Staff s field review.

This amended report calculates rates for the revenue amount being requested by Ohio District in its application. As stated in the previous Staff Report, Ohio District has asked for recovery of \$2,909,910. Accordingly, Staff has prepared an Amended Staff Report, which is attached to this Order. All parties should review the report carefully

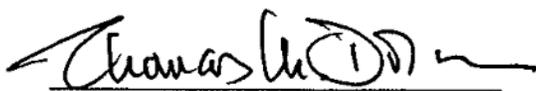
and provide any written comments or requests for a hearing or informal conference no later than 15 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 15 days from the date of this Order to provide written comments regarding the attached Amended Staff Report or requests for hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 2nd day of October, 2003.

By the Commission

ATTEST:


Executive Director

AMENDED STAFF REPORT
ON
OHIO COUNTY WATER DISTRICT
CASE NO. 2003-00034

On May 5, 2003, Ohio County Water District (Ohio District) filed its application seeking to increase rates pursuant to 807 KAR 5:001, Section 10. Staff issued a report on September 19, 2003 that recommended that the Commission approve the amount of revenue requested by Ohio District in its application.

Staff s initial report calculated rates on the revenue amount that Staff determined Ohio District could have sought. This amended report calculates rates to produce the revenue being sought by Ohio District in their application. As stated in the previous Staff Report, Ohio District has asked for recovery of \$2,909,910.

Ohio District s rates differ from Staff s as provided in the attached Cost of Service Study. Ohio District had calculated their rates with a substantial difference in Interest Income from that determined by Staff. Staff s level of Interest Income maintains their current level at \$129,899 where Ohio District reduced this level of income to \$67,674. Additionally, in their application Ohio District sought to recover \$370,113 of the Depreciation Expense whereas Staff reduced the total Depreciation Expense \$510,996 by \$89,056 to \$421,940 to obtain the level of requested revenue by Ohio District.

Attachment A is the amended cost of service study of the requested revenue submitted by Ohio District in their application. The rates proposed by Staff do however differ from those requested by Ohio District. Staff s proposed rates will increase the

monthly bill of a residential customer using 5,000 gallons from \$39.88 to \$44.78, an increase of 12.29%.

Signature

Prepared by: Eddie Beavers
Rate Analyst, Communications, Water,
and Sewer Rate Design Branch
Division of Financial Analysis

Ohio County Water District
Case No. 2003-00034

Attachment A

Amended Cost of Service Study

OHIO COUNTY WATER DISTRICT				
ALLOCATION OF EXPENSES				
Expense	Total	Pumping and Treatment	Transmission and Distribution	Customer
Salaries and Wages	\$629,649	\$209,093	\$302,735	\$117,821
Employee Pension and Benefits	137,274	46,889	67,889	22,496
Payroll Taxes	49,271	16,259	23,650	9,361
Purchased Power	138,022	101,031	36,991	
Chemicals	38,580	38,580		
Materials and Supplies	59,846	3,903	37,924	18,019
Contractual Services Other	149,142	87,899	60,739	504
Rents	7,027		513	6,514
Transportation Expense	40,698	4,105	32,164	4,429
Bad Debts	11,817			11,817
Miscellaneous	6,939	1,307	1,699	3,933
Subtotal Less Commodity	\$1,128,654	\$369,455	\$564,304	\$194,894
Percentage		0.3273	0.5000	0.1727
Administrative and General				
Salaries and Wages	116,852	38,251	58,424	20,178
Payroll Taxes	9,623	3,150	4,811	1,662
Pensions and Benefits	22,709	7,434	11,354	3,921
Insurance	9,553	3,127	4,776	1,650
Materials and Supplies	14,968	4,900	7,484	2,585
Contractual Services Eng., Acct., Legal	67,156	21,983	33,577	11,596
Rents	8,926	2,922	4,463	1,541
Transportation Expense	6,839	2,239	3,419	1,181
Insurance	12,107	3,963	6,053	2,091
Miscellaneous	19,626	6,424	9,813	3,389
Advertising Expense	630	206	315	109
Subtotal	\$1,557,254	\$603,665	\$708,793	\$244,797
Depreciation	421,940	51,055	350,463	20,422
Debt Service plus Coverage at 1.2	1,147,362	143,306	954,261	49,796
Total Expenses	\$3,126,556	\$798,025	\$2,013,518	\$315,014
Debt Service allocated based on 2001 debt service shown in Annual Report.				

OHIO COUNTY WATER DISTRICT					
WHOLESALE RATE					
Expense	Total	Allocation Factor	Amount to Wholesale	Rate to Wholesale	
Commodity					
Purchased Power*	\$138,022		\$21,531	\$0.17	\$116,491
Chemicals	38,580	0.3017	11,640	0.09	26,940
Operation and Maintenance					
Pumping and Treatment	464,054	0.2234	103,670	0.83	360,384
Transmission and Distribution	671,802	0.0909	61,068	0.49	610,734
Customer	244,797				
Depreciation					
Pumping and Treatment	51,055	0.2234	11,406	0.09	
Transmission and Distribution	350,463	0.0909	31,858	0.26	
Customer	20,422				
Debt Service					
Pumping and Treatment*	143,306	0.2234	13,585	0.11	
Transmission and Distribution*	954,261	0.0909	72,173	0.58	
Customer	49,796				
Total Expenses	\$3,126,557				
Less Interest Income	129,899	0.0909	11,808	0.09	
Cost of Service Rate			\$315,122	\$2.53	
Proposed Rate			\$317,039	\$2.55	
<p>* For purposes of allocating debt service to the wholesale customers, \$160,295 has been deducted from transmission and distribution which includes interest and debt service on the new project which does not directly benefit the wholesale customers. Debt service on pumping and treatment has also been decreased by \$82,500 for service that may not benefit the wholesale customer. The allocation of purchased power has been reduced because part of the system serving wholesale customers is gravity fed. $(\\$138,022 - .3017) * .2234$ or $\\$138,021 - \\$41,641 = \\$96,381$ $\\$96,381 * .2234 = \\$21,531$.</p>					

OHIO COUNTY WATER DISTRICT				
ALLOCATION OF RETAIL COSTS				
		Commodity	Demand	Customer
Operation and Maintenance		\$143,431	\$971,118	\$244,797
Depreciation			358,255	20,422
Debt Service			1,011,809	49,796
General Water Cost to Retail	\$2,799,627	\$143,431	\$2,341,182	\$315,015
Less:				
Forfeited Discounts	(61,595)			(61,595)
Interest Income	(118,091)		(118,091)	
Misc. Service Revenues	(23,108)			(23,108)
Other Water Revenues	(2,044)			(2,044)
Leak Adjustment Revenue	(30,360)	(30,360)		
Revenue Required from Retail Rates	\$2,564,429	\$113,071	\$2,223,091	\$228,268
SUMMARY				
Revenue From Retail Rates	\$2,564,429			
Interest Income	129,899			
Other Revenue	117,107			
Wholesale Revenue	315,122			
Total Revenue Requested	\$3,126,558			

OHIO COUNTY WATER DISTRICT						
CALCULATION OF PROPOSED RATES						
	Total	First 2,000	Next 18,000	Next 30,000	Next 50,000	Over 100,000
Actual Water Sales						
Thousand Gallons	275,708.7	103,796.0	143,962.0	10,094.9	6,779.4	11,076.4
Percentage		0.3765	0.5222	0.0366	0.0246	0.0402
Weighted Sales for Demand						
Thousand Gallons	494,218.5	207,592.0	251,933.5	15,142.4	8,474.3	11,076.4
Percentage		0.4200	0.5098	0.0306	0.0171	0.0224
Allocation of Costs						
Commodity	\$113,071	\$42,568	\$59,040	\$4,140	\$2,780	\$4,543
Demand	2,223,091	933,789	1,133,246	68,113	38,119	49,824
Customer	228,268	228,268				
Total	\$2,564,429	\$1,204,625	\$1,192,286	\$72,253	\$40,899	\$54,366
Number of Bills	60,430					
Staff Cost of Service Rates		\$19.93	\$8.28	\$7.16	\$6.03	\$4.91
OCWD Proposed Rates		20.11	8.39	7.26	6.12	4.97

OHIO COUNTY WATER DISTRICT				
VERIFICATION OF RATES				
	Bills	Gallons	Rate	Revenue
First 2,000	14,782	103,796	\$19.93	\$1,204,625
Next 18,000	44,851	143,962	8.28	1,192,286
Next 30,000	580	10,095	7.16	72,253
Next 50,000	135	6,779	6.03	40,899
Over 100,000	82	11,076	4.91	54,366
Total	60,430			\$2,564,429
Wholesale		124,329	\$2.53	315,122
Leaks Adjustment		12,000	2.53	30,415
Other Revenue				86,747
Interest Income				129,899
Total Revenue				\$3,126,613

OHIO COUNTY WATER DISTRICT				
COMPARISON OF RETAIL, WHOLESALE AND LEAK ADJUSTMENT RATE				
RETAIL RATE				
Usage	Current Cost	Cost at Staff Cost of Service Rate	Increase	Percentage
1,000	\$17.23	\$19.93	\$2.70	16%
2,000	17.23	19.93	2.70	16%
3,000	24.78	28.22	3.44	14%
4,000	32.33	36.50	4.17	13%
5,000	39.88	44.78	4.90	12%
10,000	77.63	86.19	8.56	11%
20,000	153.13	169.01	15.88	10%
25,000	185.93	204.80	18.87	10%
50,000	349.93	383.73	33.80	10%
75,000	488.93	534.55	45.62	9%
100,000	627.93	685.37	57.44	9%
	Current Rates	Staff Cost of Service Rates		
First 2,000	\$17.23	\$19.93		
Next 18,000	7.55	8.28		
Next 30,000	6.56	7.16		
Next 50,000	5.56	6.03		
Over 100,000	4.58	4.91		
WHOLESALE AND LEAK ADJUSTMENT RATES				
Per 1,000 Gallons	Current Rate	Staff Costs of Service Rate	Increase	Percentage
	\$1.53	\$2.53	\$1.00	66%